Hull-based Health supplements manufacturer Seven Seas has a rich heritage in the UK and, as market leader, its name is near synonymous with many of the goods it makes. Mark Young explores what measures the company is taking to secure its status at the pinnacle of its industry following the squeeze of recession.

**WITH** a history that this year spans three quarters of a century, the Seven Seas brand is truly ingratiated into British society as a household name. A staple supplier of fish oils, women’s health products, children’s health products, probiotics and multi vitamins to the major supermarkets and leading high street pharmacies and health chains, its 18% share of the UK vitamins, minerals and supplements market puts it well in front of its chasing pack of competitors. With a heritage that will next year reach three quarters of a century, its brands – including Seven Seas Cod Liver Oil, Seven Seas Joint Care and Haliborange children’s range – have become to healthcare supplements what Heinz are to ketchup: others are available, but for most the choice is superfluous.

“There’s something iconic about Seven Seas,” muses the company’s operations, supply chain and R&D director, Andrew Shaw. Market intelligence would seemingly agree. The company won Boots Customer awards for Best Joint Supplement, Best Children’s Omega 3 and Best Multivitamin in 2009, to add to the Best Adult’s Omega 3 award it won in 2008.

The mature UK market is still Seven Seas’ largest in terms of current sales, but the gap between domestic sales...
A close relationship

Our relationship with our customers does not end by delivering the goods, but continues so as to provide technical support and assistance. Our in-house think-tank continuously provides ideas for developing new products using Gum Acacia and our relationship with Seven Seas is a perfect example.

Agrigum has global sales coverage and with our distributor network, we are able to fulfil the customers’ gum requirements promptly and efficiently wherever they are in the world. Recently our sister company Agrigum Americas Incorporated was launched to concentrate on the clients’ needs in North and South America.

Agrigum offers a comprehensive range of raw, mechanical, spray dried and agglomerated Gum Acacia products – the Agri Range. The Agri Range enjoys a remarkable diversity of applications, mainly due to many of its desirable physico-chemical properties. The essential properties being:

- 100% natural plant origin
- Odourless, bland taste
- Non-GMO
- More than 95% prebiotic soluble fibre
- Soluble in cold and hot water
- Low caloric value
- Very low viscosity
- Excellent emulsifying properties

The Agri Range of Gum Acacia products are used in the Food, Pharmaceutical, Nutraceutical, Beverage, Confectionery, Printing and Industrial Sectors.

Flavour and Beverage
Our research enables us to identify the best Acacia for these applications and the developed Agri-Spray Acacia RE product is best suited for this industry.

Our specially designed fibre source product, Agri-Spray Acacia Fibre, affords all the benefits associated with soluble fibre without the bloating side effect.

Pharmaceutical and Nutraceutical
Gum Acacia is specified in National, European and USA Pharmacopoeias. The usage of Gum Acacia here is based on its natural properties of emulsification, stabilisation, demucilaginous action, adhesiveness and binding action.

Our Agri-Spray Acacia R and Agri-Powder Acacia1AS are the favoured products for these applications.

Confectionery
Gum Acacia has been used in the confectionery industry for hundreds of years. Gum Acacia is still a main ingredient due to its variety of natural properties of adhesion, film-forming and excellent compatibility with other gums and starches. Agri-Spray Acacia R, Agri-Spray Acacia MGH and Agri-Spray Acacia G products are used by our confectionary customers.

Industrial / Non-Food
The equivalent properties that are used in food and pharmaceutical applications, offer extensive new applications in this area. Agri-Spray Acacia GMH, Agri-Kibbled and Agri-Talha are the typical products used in this sector.

Individual Solutions
The company formulates its Agri Range of Gum Acacia products specifically to meet the requirements of end users, and can develop custom products for contracted volumes.

Research and Development
Whilst our process control and quality control laboratories maintain the highest standards of gum production, the company’s R&D laboratories provide:

- Technical support services
- Development of custom made products specific to customers’ requirements.
- Continuous process and product improvement.

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Above: Gum Arabic, also known as Gum Acacia is exuded from Acacia trees (mainly from Acacia seregal and Acacia seyal).
Below: Pharmaceutical and beverage products.
and exports is narrowing. The firm now roughly has a 55/45% split of the 30 million total units it annually produces between products sold here and those sent abroad. As recently as two years ago that figure was more like 60/40%. The firm’s main export market is the Republic of Ireland followed by areas of Africa, the Middle East and the Caribbean. It does not generally supply to Western Europe or North America because, as part of the German Merck KGaA group, it does not compete with its sister companies that are based in Germany, France and the USA. Other export opportunities have been divided among the companies within the group to ensure there is no in-group competition in emerging markets.

Seven Seas has its own oil refinery on site – something that gives the company bragging rights over all of its UK competitors – and produces all of its syrups and tonics from scratch on site. For all liquid products, it can carry out all of the necessary testing to satisfy a raft of local, European and global regulations on site, including analytical tests which it performs in its on-site laboratory.

Since TM last spoke to Seven Seas around 18 months ago, the firm has increased its Overall Equipment Effectiveness from 43% to 60%. It has now realigned the metrics it uses to measure OEE in line with new production processes and, in real terms, Shaw estimates a further 13% improvement can be added to this figure. “Last year we did more changeovers than ever before, did them faster and still increased OEE,” says Shaw. “It’s a ringing endorsement of the quality of the work we’ve done over the last year.”

Harder, better, faster, stronger
Seven Seas has implemented what Shaw describes as an “ingrained culture of continuous improvement”. With a commitment to the lean principle of 5S (Sort, Set in

“Communication is so important – if you can tell a good story and you can sell it to people they’ll give you a chance and they’ll work with you. And if you can make them feel really part of it – genuinely involved in it – and allow them to take responsibility for it then they’ll own it. Communication has to be perfect” – Shaw
order, Shine, Standardise, Sustain), the company is carrying out an inexhaustible list of measures to make its practices across all operations more efficient. Instrumental to this cause has been the use of cross functional continuous improvement teams—collectives of workers from across different departments of the business which unite to find solutions to any individual problem. Cross functional teams have been used on a diverse range of projects including operational alterations, packaging changes and marketing drives.

“We used to have a very functional organisation with not much cross over. That’s very much not the case now,” says Shaw. “The days are gone where one department can fix a business problem. We’ve found we get a far deeper understanding and much more effective solution by utilising all of the know-how that we have across the company instead of just relying on a narrow vision from one particular area.”

As Shaw spoke to TM, a room full of employees from across all of the factions under his wing were together working on a project to find ways to improve the flow of materials from goods-in through to the production line. The team included personnel from goods-in, quality, planning and production. The aim of the project is to get goods onto the production lines with fewer stops, maximising flow. With materials currently passing through a number of different departments, Shaw’s concern is that unnecessary handling is taking place and that responsibility has been dissipated.

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“The supply chain ignores functional barriers,” says Shaw, “it’s all about flow. Raw materials come in and the next value-add is when they are converted into finished product. Our value stream mapping told us there was a lot of waste between goods arriving on a truck and then entering the production process. How do we make checking and systems faster so there’s less time wasted? The project is also included in the annual objectives of the key stakeholders which means there has to be an outcome. They have a vested interest in making it work.”

In a previous initiative, value-stream mapping carried out by a six-strong cross functional continuous improvement team illustrated significant opportunities for increased efficiency in process time. Changes that were made including the removal of in-process testing, significant work in progress and over processing have brought processing time down from 64 hours per batch of 450kg to 24 hours. In addition, analytical time was reduced across the whole year by 700 hours.

The company has halved the time it spends on changeovers compared with a year ago through a mixture of SMED techniques (Single Minute Exchange of Die) and man-management. The continuous improvement team analysed who was doing what, how they did it and how long it took them during changeovers and found that many of the tasks involved could be carried out by line operators rather than engineers, leaving the latter free to work on breakdowns and line improvements, thereby adding value. “We had the engineers train the team in the techniques and then ran the exercise with a video camera, stopwatch and clipboard and then sat down and worked out how we could do it faster,” says Shaw. Subsequent changes included the implementation of thumb screws to negate the need for tools, a colour coordination system of individual parts, and user-produced manuals. Shaw says the massively reduced changeover time has been a key part of a reduction of finished goods inventory by a third in two years. This is especially important given that Seven Seas’ products can by no means be counted among conventional FMCGs’ like food manufacturers’. “Our smallest packs will last for 28 days and many customers now prefer to buy in bulk quantities of 90 or even 120,” says Shaw. “This means consumers may only be in the market three or four times a year and that means we may have to hold on to stock.”

A commitment taken to measuring the performance of all operations and quantifying the effects of changes is one of the most important aspect of any efficiency programme, Shaw says. “When you start to understand where cost is you start to work much harder at driving it down. We’re now much more cost conscious and we quantify everything with data. We log issues, put names next to them and then review them. When you’ve got data on what’s working and what’s not you can tackle the problems.

“The initial reason you come up with why something continues to fail isn’t probably the real reason; you have to keep working at it. We do genuine root cause analysis with standard problem solving tools and then we challenge ourselves to put 100-year fixes in place rather than just papering over the cracks.”

Communicating that knowledge is critical if a company is to gain support from its employees and avoid change initiatives becoming regarded as a management fad. “If there’s a compelling reason why we can do things better and you communicate it well, people will buy in and own it. It becomes something employees do because they want to, because they know it makes the line run better and the factory more efficient and essentially makes everyone’s jobs easier and everyone more successful.

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chance and they’ll work with you. And if you can make them feel really part of it – genuinely involved in it – and allow them to take responsibility for it then they’ll own it. Communication has to be perfect.”

As part of an international group, measuring its performance is also important if Seven Seas is to convince its owner that it is good value for investment.

The company recently agreed a five year investment plan with Merck which will include capital expenditure to the tune of £10m on site infrastructure improvements and facilities including layout rationalisation, packaging equipment replacement and capacity improvement as well as meeting customer needs such as SRP capability and automated high speed measuring device insertion.

“You have to prove why you’re a good case for investment,” says Shaw. “Our investment plan has been agreed with the Group on the basis of promises we’ve made regarding delivering back more efficiencies in terms of cost structure and a significant reduction in inventory as a result of the capital expenditure.”

**Current conditions**

Recession has provided Seven Seas with two major strains. Firstly, owing to foreign ownership and a global supply base the company is sourcing a significant amount of raw materials in overseas’ currencies. With the pound struggling against the dollar and falling to almost like-for-like value with the euro, the company has seen its bottom line squeezed. Secondly, as a premium brand, Shaw says the company has had to work hard to convince customers that the products are worth paying extra over value products in a time when expendable cash is reportedly lower and consumers are more cautious with how they spend.

Nevertheless, last year the firm launched an exclusive women’s personal care range called Femibion which includes nutrients to help with pregnancy and general women’s well being. “It was a brave thing to do during...
recession but we felt that we’d worked hard developing the range and that our heritage gave us a strong base to add to even though times were tight,” says Shaw. “We are in it for the long term – that’s Merck’s philosophy. The Group is more interested in enduring growth rather than short termism.”

Shaw says strong branding and promotion – reiterating the company’s commitment to quality, reminding consumers of the Seven Seas heritage and clearly communicating the benefits of the products – has been of paramount importance in reinforcing the customer base during the downturn. However, he feels unnecessary bureaucracy and red tape from regulators may stifle the company’s ability to effectively get the right messages about its products out to customers.

“The market we operate in is increasingly regulated on a local, European and global basis on top of the self-regulation we adhere to through trade organisations. If you make a claim about health on your products then quite rightly governments want to check up. We are entirely supportive of this – you can’t allow companies just to make health claims without regulation and we welcome the barriers against untoward companies making claims that are patently not true. But what we want is a balance to that approach.

“The consumer has to be able to trust that health benefits do exist but there has to be care not to put red tape in there. The regulation should be appropriate to the consumer so that they are well informed and can make the choice about the right product for them. If we are stopped from using plain English to explain to people the benefits of our products then they won’t know. We need to be able to tell the truth in simple enough language to educate people – ‘this will help with this, this will help with that’. You select products yourself in our market so the packaging has to tell you about it. If we’re overregulated we can’t tell you and you can’t find out.

“Ultimately, if you are using good supplements and they work then you are healthier. If we are burdened with unnecessary regulation the health service could be burdened with unnecessary cost.”

Uncertainty over supply base has also been a concern over the last couple of years. “With some firms merging because of poor trading conditions and some going out of business altogether, we’ve had to keep a careful eye on what’s been happening,” says Shaw. Luckily though, most of the firm’s key suppliers have remained strong and the company is also benefiting from an extra astute approach that it has adopted in recent years when adding to its supply base. Examples of successful partnerships that have been formed in the last two years include those with Aenova Group – a contract manufacturer that produces some of Seven Seas’ soft capsules – and Agrigum, a supplier of Acacia powder which first formed a relationship with Seven Seas by passing it technical information. Within the last year Alpex – supplier of effervescent tablets – has also been added to the supply base and Shaw commented especially on the company’s flexibility. “These are three examples of strong partnerships which we’ve formed that have definitely relieved some of the uncertainty that recession has brought us regarding our supply chain,” he says.

Like most manufacturers, Seven Seas is still finding itself in stormy waters despite recession having ended, if official indicators are to be trusted. However, the company’s business is making people healthy and it seems to be doing all it can to secure its own long term fitness. Tenacity, it seems, is just the tonic.
Gum Acacia, it’s only natural.

So when you need the highest quality Acacia products
it’s only natural to think of Agrigum.

Agrigum is uniquely placed to supply your Gum Acacia requirements anywhere in the world.

Agrigum’s history in Gum Acacia trading can be traced back for over a century. We have built on this heritage to become a major processor and global supplier. With buying organizations in each of the major gum acacia producing countries in Africa to provide unparalleled sourcing and buying strengths, thereby assuring the highest quality and guaranteed supply of its raw materials at all times.

The company has the scale of operations to supply the highest quality products with complete reliability to service global contracts for the most sophisticated of food, flavour and beverage, confectionery, pharmaceutical, printing and industrial applications. To find out more visit our website: www.agrigum.com.

AGRIGUM
The right people in the right place.